

CENTRAL INTELLIGENCE GROUP
INTELLIGENCE REPORT

COUNTRY Germany/Russian Zone

DATE: 25X1X6

INFO. [REDACTED]

SUBJECT Results of the 1946 Harvest and Soviet Economic Policy
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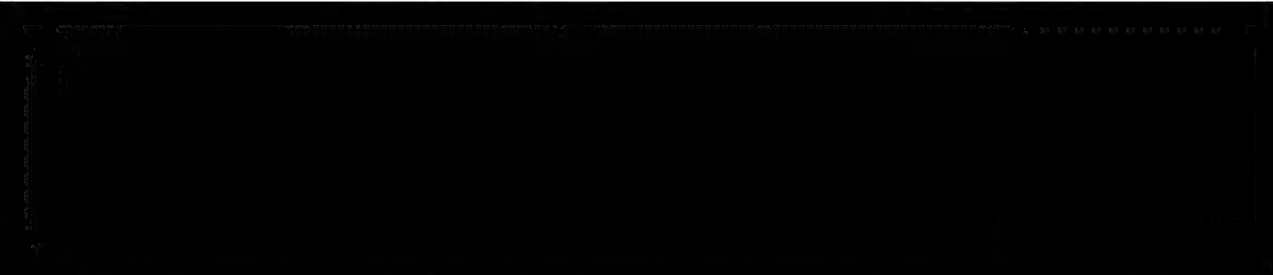
DIST. 10 December 1946

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SUPPLEMENT

ORIGIN [REDACTED]

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1. The total yield of the cereal and potato crops in the Russian Zone of Germany has fallen 15% below the official estimate prepared for the SMA HQ in Karlshorst by their agricultural adviser, Professor Woermann of Halle University. The main reasons for the failure to reach the target originally considered attainable are drought, insufficient fertilizers, and the effects of land reform.

2. Since the Russians will demand the same deliveries from growers as if the program had been fully achieved, the non-controlled surpluses, the so-called "freie Spitzen", will disappear by virtue of their being used to make up deficiencies in compulsory deliveries. As the Russians have not yet put the collection of grain into full effect, however, the growers are still selling at free prices much of the grain that would have been considered surplus, thus depleting stocks which would have made it possible to fulfil compulsory deliveries. In districts where supplies have been demanded by the Russians and have not been met in full, because of prior sales on the uncontrolled market of what were considered to have been legitimate surpluses, the peasants are being severely punished by imprisonment and confiscation of property. The same fate awaits peasants in other districts who are still selling on the free market, pending the collection of compulsory deliveries.

3. Agricultural workers in the Province of Saxony have threatened to leave their unions, as they are not receiving the rations promised to them. These rations were to have been made available from the surpluses referred to above (since agricultural workers do not receive ration cards); but, as these surpluses are, in fact, non-existent, employers have informed agricultural workers that they do not know where to get food for them, unless they draw on the stocks not available for free disposal, a step which they are reluctant to take. Knowing that a certain amount of the compulsory deliveries in any case inevitably finds its way to the "black market", agricultural workers are dissatisfied and adopting a menacing attitude.

4. Professor Woermann is advising the Russians to moderate their demands and to content themselves with the delivery of 80% of the estimated total yield of cereals and potatoes, leaving the remainder for free disposal. This proposal of Woermann's is under consideration at

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Marlshorst, although the instruction received from Moscow to exact 100% deliveries still stands. Professor Woermann has also suggested to the Russians that they be prepared to allow individual producers to substitute 4 cwt. of potatoes for 1 cwt. of bread grain or 2 cwt. of vegetables for 1 cwt. of potatoes in cases where such arrangements would ease the position for the farmers concerned. This particular proposal is backed by the SED. Woermann has, however, been given to understand that, in the event of his proposal being accepted, sugar may in no case be used as an alternative commodity, as deliveries to the USSR of sugar must reach the same proportion as last season.

5. On 3 October 1946 Professor Woermann was visited unexpectedly by Pieck, a leading member of the SED. Pieck informed Woermann that the SED had been given permission by the SMH to include in their propaganda the statement that the Russians were agreeable to a revision of the eastern frontier of Germany. Pieck claimed this as proof of the fact that the Russians desired Germany to become a single economic unit, since the extension of the eastern zone was unnecessary to the Zone in itself but essential to Germany as a whole.

6. In the course of his talk with Professor Woermann, Pieck instructed the former to submit to him by 8 October 1946 an agricultural plan for a unified Germany. The details of this plan seemed immaterial to Pieck; the main object is the fact that such a plan for a unified Germany should be drawn up at all. Woermann is basing the plan on arable acreage, calculating that a given area is available in Germany for certain types of produce for distribution among the over-all population of all zones. Pieck has agreed to this, but he has stressed the point that sugar must not figure in the plan at all.

7. On being asked why the Russians were now favoring the idea of a unified Germany, Pieck answered that, as they had almost squeezed the Eastern Zone dry, they realized that they could obtain more in the way of reparations deliveries from an economically sound Germany than out of a mutilated part of the country. Pieck thought the Russians would be more willing to allow the export of foodstuffs from their zone to western zones against dollar payments than against individual products, since the western zones would, in due course, be able to earn the necessary dollars by exporting industrial products overseas. The Russians believed that the industries of the Ruhr and Rhineland could obtain higher prices by exporting to other countries than by sales to the poorer eastern provinces of Germany and that they would, therefore, be able to pay relatively higher prices for foodstuffs obtained from the Eastern Zone.

8. Of the land in the Russian Zone only 30% has really been subjected to Land Reform; about 70% still is in the hands of the original owners. Comparatively greater areas have been affected by Land Reform in Pomerania and Mecklenburg than in Thuringia and Land Saxony.

9. Professor Woermann, Professor Dietze of Freiburg, Professor Brinkmann of Bonn, and two other professors are to present a memorandum to the Allied Control Council, drawing attention to the impossibility of Germany surviving as an economic entity if the eastern frontier is not revised. Neither the Russians nor the SED is aware of the fact that this memorandum is in course of preparation, but the professors wish to take advantage of revision of the eastern frontier in order to present their memorandum. They believe, however, that the Russian agreement to inclusion of this subject merely forms part of their pre-election tactics.

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